

SUMMARY OF CERTAIN MATERIAL COMMERCIAL TERMS OF ECONOMICS, FUNDING AND TRANSFERS¹

Defined terms have the meaning in the Schedule.

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| 1. | Parties | LBHI2 Administrators, LBHI2, LBHI, Elliott and KS |
| 2. | Other entities | LBL, LBIE |
| 3. | Cash Consideration | The Funds shall pay (a) the LBHI Consideration to LBHI and (b) the LBHI2 Sub Debt Consideration plus the LBHI2 Senior Claims Consideration plus the LBHI2 Equity Claims Consideration to LBHI2 on the Effective Date by way of a capital contribution to be made to the Cayman LP, being approximately GBP 650 million in total. |
| 4. | Recovery Pool | The Parties shall contribute into the Recovery Pool: (a) the KS Contribution; (b) the Elliott Contribution; and (c) the LBHI2 Contribution. |
| 5. | Distributions (and Repayments) | Distributions shall be made quarterly, and, in the case of LBHI2 only, deferred consideration payable, (subject to certain adjustments, based on certain contingencies and outstanding disputes, payment of interest to LBHI2 in certain circumstances, and the retention of amounts to meet certain payment obligations, by way of distributions on various classes of interests in the Cayman LP, and payments in respect of other contractual obligations between the Parties and their Affiliates), in the order set out below: (a) 100% to the Funds until the Funds receive the Tier 1 Pool Threshold Amount; (b) 70% to the Funds and 30% to LBHI2 until the Funds and LBHI2 have received, in aggregate, the Tier 2 Pool Threshold Amount; (c) 50% to the Funds and 50% to LBHI2 until the Funds and LBHI2 have received, in aggregate, the Tier 3 Pool Threshold Amount; and (d) all surplus above the Tier 3 Pool Threshold Amount to be paid 75% to LBHI2 and 25% to the Funds. Proceeds from the portion of economic interests represented by the Preferred Equity sub-participated to the Equity Claims SPV will be distributed to the Funds. Proceeds from recoveries in respect of Future Claims will be distributed to |

¹ This summary is qualified in its entirety by the terms and conditions of the Material Commercial Terms of Economic Interests, Funding and Transfers (the “**Term Sheet**”) and is intended to be used for information purposes only and shall not in any way affect the meaning or interpretation of Term Sheet. The terms of the Term Sheet control to the extent that there is any conflict or inconsistency between the summary and said terms. This summary is published for information purposes only and should not be relied upon for any purpose. This summary shall be inadmissible as parole evidence in any suit, action or proceeding that may arise out of or in connection with the Term Sheet.

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| | | participating Parties by reference to their interests in those Future Claims. |
| 6. | Funding | <p>Expenses in respect of matters other than Future Claims will be funded by loans from the partners of the Cayman LP based on the voting interests held (e.g., initially 1/3, 1/3, 1/3 for each of Elliott, KS and LBHI2). These loans will be required to fund expenses in an amount equal to GBP 10 million in the first year of operations, GBP 5 million in the second and third years of operations and GBP 2.5 million in each of the fourth and fifth years of operations. These loans will be contributed equally by LBHI2 and the Funds. Usage of these amounts will be pre-agreed between the partners.</p> <p>The majority of Voting Shareholders may cause the Cayman LP to enter into loans with interest at 3 month Libor + 3 year HY CDX spread plus 1% p.a. not to exceed GBP 25 million in the aggregate for the purpose of funding expenses, provided that loans with parties other than partners or LBHI will require unanimous consent of the Voting Shareholders.</p> <p>Additional funding (including the terms of interest thereon) above GBP 25 million in aggregate for the expenses of the Cayman LP, Cayman GP and their direct or indirect subsidiaries (including the Recovery SPVs) shall be subject to the unanimous consent of the Voting Shareholders. If any partner determines that it shall not make a loan, the other Voting Shareholders can choose to lend in an amount equal to the deficit on a pro rata basis, provided that in the event that LBHI2 declines to lend, LBHI may assume LBHI2's rights and responsibilities with respect to such additional funding, and shall be entitled to lend as if it were a Voting Shareholder for that purpose on the same terms as would otherwise have applied to LBHI2. For the avoidance of doubt, no shareholder or LBHI shall be required to provide any loan to the Cayman LP (other than the loans described in the first paragraph of this Section 6).</p> <p>Loan Amounts shall first be repaid out of proceeds from the Recovery Pool, and may only be repaid out of other Loan Amounts if all Voting Shareholders agree that there is sufficient funding remaining in the Cayman LP, the Cayman GP and their direct or indirect subsidiaries (including the Recovery SPVs).</p> <p>All proceeds received in the Recovery Pool on and after such time as any partnership loan is made shall first be used to discharge the Loan Amounts before distributions are made to the partners pursuant to Sections 5(a), (b), (c), and (d). For the avoidance of doubt, payments in respect of the Loan Amounts shall not count towards the amount of distributions payable to partners pursuant to Section 5(a) – (d) (or the determination of the Tier 1 Pool Threshold Amount, the Tier 2 Pool Threshold Amount or Tier 3 Pool Threshold Amount or payment of amounts in respect thereof or otherwise).</p> <p>A form of the loan agreement shall be attached as an exhibit to the Partnership Agreement.</p> <p>All loans to the Cayman LP, Cayman GP and their direct or indirect subsidiaries (including the Recovery SPVs) shall be limited recourse loans. All loans down the corporate chain shall also be limited recourse. This is to ensure that the Cayman LP, Cayman GP and their direct or indirect subsidiaries (including the Recovery SPVs) are insolvency remote.</p> <p>Each Party shall have full visibility into reserve accounts, which accounts shall be established with a third party custodian. Until Cause has occurred, the administrator of the Cayman LP, Cayman GP, and/or a direct or indirect subsidiary of the Cayman LP and Cayman GP (including the</p> |

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| | | <p>applicable Recovery SPV) shall be entitled to withdraw from such account to fund pre-agreed expenses incurred by the relevant Recovery SPV. Upon Cause, no withdrawals may occur from any account without the unanimous written consent of the Voting Shareholders.</p> |
| 7. | Future Claims | <p>The Funds and LBHI2² shall economically participate 100% of Future Claims which are acquired by them to the Future Claims SPV.</p> <p>Each of the Parties may participate (subject to eligibility) in the purchase and economics of such Future Claims. To the extent that LBHI2 declines to participate but is otherwise eligible to participate, LBHI may participate instead of LBHI2 to the same extent LBHI2 could have so participated. Participation by the Parties shall be determined as follows:</p> <p>(a) If at such time LBHI2 is a Voting Shareholder and wishes to participate in respect of that Future Claim, it must fund 25% of the purchase price (and 75% of the purchase price will be split among the other Voting Shareholders who elect to participate in such Future Claim based on the proportion of the voting interests in the Cayman GP held by such Voting Shareholders and excluding any voting interests in the Cayman GP held by LBHI2), subject to adjustment based on the Option; or</p> <p>(b) if either (x) LBHI2 declines to participate in respect of that Future Claim (and LBHI declines to participate in that Future Claim to the extent LBHI was entitled to participate in the amount of that Future Claim which LBHI2 declined to participate in) or (y) LBHI2 is not at such time a Voting Shareholder, 100% of the purchase price will be funded by the other participating Voting Shareholders, split among them based on the proportion of the voting interests in the Cayman GP held by such participating Voting Shareholders and excluding any voting interests in the Cayman GP held by LBHI2 or a non-participating Voting Shareholders, subject to adjustment based on the Option.</p> <p>If an entity offering its Future Claim is a Voting Shareholder, it shall have the right to exercise the Option, in which case all the interests of the other participating Voting Shareholders (other than LBHI2, if then a participating Voting Shareholder or, as the case may be, LBHI) shall in respect of such Future Claim be reduced based on the voting interests in the Cayman GP held by such Voting Shareholders and excluding any voting interests in the Cayman GP held by LBHI2 and the offeror.</p> <p>Partners with an interest in a Future Claim will receive a new class of interests (the Future Claim Interests) in the Cayman LP representing such interest. Recoveries in respect of such Future Claims shall be distributed to participating partners by reference to the Future Claim Interests held by them.</p> <p>For the avoidance of doubt, loans made to fund the acquisition and expenses of a Future Claim and the Future Claims SPV shall be repaid from proceeds of the applicable Future Claim and distributions to holders of the Future Claim Interests in the Cayman LP representing a Future Claim will be made solely with respect to distributions received in respect of such Future Claim, and not from distributions received from the Recovery Pool.</p> |

² The LBHI2 Administrators have indicated that they do not propose to participate in Future Claims.

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| | | <p>A form of the loan agreement in respect of Future Claims, which form shall be substantially similar for loans in respect of the expenses associated with the Recovery Pool, shall be attached as an exhibit to the Partnership Agreement.</p> <p>Any loan made to the Cayman LP in order to fund the acquisition of Future Claims shall be limited recourse with recourse being limited to the amount of any proceeds received by the Cayman LP in relation to such Future Claims.</p> |
| 8. | LBHI2 Contribution | <p>On the Effective Date, LBHI2 will in each case with no title guarantee:</p> <p>(a) assign to the Senior Claims SPV its right, title and interest in the LBHI2 Senior Claims pursuant to the Senior Claims Assignment Agreement;</p> <p>(b) assign its right, title and interest in the LBHI2 Sub Debt to the Sub Debt SPV pursuant to the Sub Debt Assignment Agreement; and</p> <p>(c) transfer by a sub-participation a portion of the economic interests represented by the Preferred Equity directly to the Equity Claims SPV, with the contractual payment obligations of LBHI2 being an expense of its administration,</p> <p>For the avoidance of doubt, other than as expressly set out in the transaction documentation, no claims or rights of LBHI2 including (i) under any guarantee given by LBHI and (ii) in respect of sums owed by LBL to LBHI2 will be assigned, transferred, conveyed or otherwise participated under any of the agreements listed above.</p> |
| 9. | Synthetic Conveyances | <p>On the Effective Date, LBHI, LBHI2, the Funds, and certain of their Affiliates intend that contractual arrangements will be entered into by certain of those Parties in order that, combined with distributions from the Recovery Pool, the Parties receive the distributions to which they are entitled pursuant to section 5 hereof.</p> |
| 10. | Elliott Contribution and KS Contribution | <p>On the Effective Date, each of Elliott and KS will enter into a swap or other agreement to grant a contractual interest to the Claims SPV in the Elliott Contribution or the KS Contribution, as the case may be, in respect of the Elliott Pooled Claims or the KS Pooled Claims, as the case may be.</p> <p>The Elliott Pooled Claims and the KS Pooled Claims represent all of the non-preferential unsecured claims held by Elliott or KS, as the case may be, against LBIE (including by way of participation, assignment or any other arrangement) that are not Future Claims.</p> <p>The Estimated Allowed Claims Amount (on an aggregate basis) of the claims comprising the Elliott Pooled Claims and the KS Pooled Claims as of September 30, 2013 was approximately GBP 2.6 billion.</p> |
| 11. | Guarantee and Indemnity | <p>Each of the Funds shall arrange for a payment guarantee and a performance guarantee to be provided by certain of its Affiliates (the "Guarantors"), on a several but not joint basis, for the benefit of the Cayman LP, Cayman GP, the Future Claims SPV and the Claims SPV, which guarantee shall be in form and substance reasonably acceptable to the other Parties, in respect of its and its Affiliates' obligations and liabilities pursuant to the applicable transaction agreements and to the transactions to which it and its Affiliates are a party.</p> |

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| | | <p>In addition, the Guarantors will agree to indemnify, on a several but not joint basis, the other Fund and its Affiliates, LBHI and its Affiliates that become a party to the transaction documents and LBHI2 for any losses suffered by such party or parties arising from the non-performance by it and its Affiliates of the relevant Fund of their obligations, including, for the avoidance of doubt, all payment and non-payment obligations, pursuant to the applicable transaction agreements and the transactions to which it or any of its Affiliates are a party.</p> <p>For the avoidance of doubt, notwithstanding any guarantee or indemnity obligations of the Guarantors (a) no Fund (or Affiliate thereof) shall be liable to fund expenses or costs of the Cayman LP or Cayman GP or any SPV without its consent save for the partnership loans referred to in the first paragraph of Section 6 (<i>Funding</i>), (b) enforcement of the indemnity is subject to the provisions of the Partnership Agreement, and (c) no Fund (including its Affiliates) shall be liable for the same loss more than once.</p> |
| 12. | Side Agreements | <p>Save as otherwise agreed between the Parties, the Parties and their respective Affiliates agree that they have not entered into and will not enter into any side agreements or arrangements that (a) are intended, or are reasonably likely, to provide any Party with any economic advantage with respect to the transactions over any other Party who is not a party to such agreement or arrangement; (b) are not consistent with the Underlying Principle and the arrangements referred to in Section 16; (c) affect the terms of the participation agreements, assignment agreement or other agreements between any partner (or its Affiliate) and any of the SPVs; or (d) other than in the case of LBHI2, provide for any benefit, advantage or other collateral interest to any party (beyond the terms offered to the majority of creditors), in relation to any settlement between LBIE's creditors and (as necessary) the administrators of LBIE, including in connection with the formulation of any plan with LBIE to effect such settlement (whether by way of a scheme of arrangement, voluntary arrangement, consensual deal, court application or otherwise).</p> <p>Notwithstanding the foregoing, the partners that hold Future Claim Interests (and, if applicable, LBHI) may enter into loans, as described in Sections 6 (<i>Funding</i>) and 7 (<i>Future Claims</i>), and may enter into transfers, assignments or participations of the relevant assets with their Affiliates so long as the relevant transferee or assignee accedes to the transaction agreements (such as the Claims Participation Agreement) as appropriate.</p> |
| 13. | Transfer Restrictions | <p>There are restrictions on transfer by the partners of their interests in or obligations to the Cayman LP, Cayman GP and any interests in the partnership loans made by them, subject to limited exceptions. These restrictions include limitations on disclosure to prospective transferees of information relating to the Transaction.</p> <p>In addition, each of Elliott, KS and LBHI2 have a tag-along right to participate in any proposed sale by one of the others of its interests in the Cayman LP and the Cayman GP.</p> |
| 14. | Taxes | <p>In connection with the assignment, transfer, participation of or contractual obligation to fund equivalent amounts in respect of the Elliott Contribution and the KS Contribution, it is expected that the parties transferring, assigning or participating such assets or undertaking such payment obligations, as the case may be, shall remit amounts received (whether directly or indirectly) in respect of distributions and other amounts as if no deduction or withholding is required to be made in respect of any such receipt (whether direct or indirect) or remittance.</p> |

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| | | <p>In the event that any deduction or withholding is required to be made in respect of any payments to be made by LBHI2 to the Equity Claims SPV, Sub Debt SPV or Senior Claims SPV in respect of the Preferred Equity, LBHI2 Sub Debt or LBHI2 Senior Claims, then such payments shall be made net of such withholding tax or deduction and LBHI2 shall be under no obligation to gross up such payments, except that adjustment shall be made to the distributions received by LBHI2 in certain circumstances to reflect such withholding or deductions (subject to certain exceptions).</p> |
| 15. | Corporate Governance | <p>LBHI, LBHI2, the LBHI2 Administrators, Elliott and KS (or their respective Affiliates) will enter into a Partnership Agreement with such governance arrangements as may be mutually agreed among the parties. Voting rights in relation to the Cayman LP shall be held by each of LBHI2, Elliott and KS on a 1/3:1/3:1/3 basis initially. The Partnership Agreement shall contain market standard provisions for transactions of this type, and will contain a covenant by the parties thereto to comply with the Underlying Principle (provided that LBHI and/or LBHI2 may be released from such covenant to comply with the Underlying Principle in certain circumstances).</p> <p>LBHI will have a non-voting interest in the Cayman GP (the Class H Share) which will not convey any economic interest in the Cayman LP or Cayman GP, but will give LBHI the right to attend and speak at meetings and information rights.</p> |
| 16. | Conduct Regarding Recovery Pool | <p>The power and authority of the relevant SPVs to deal with the Recovery Pool and related matters shall be set out in various protocols.</p> <p>The Parties have agreed to assist and co-operate fully with the SPVs and each other in the above actions, to act in good faith in their dealings with each other and to conduct themselves on terms that are consistent with the Underlying Principle (save, in the case of LBHI and LBHI2 only, to the extent agreed otherwise by the Funds).</p> |
| 17. | Governing law and Jurisdiction | <p>The Term Sheet, the Senior Claims Assignment Agreement, Equity Claims Participation Agreement, Sub Debt Assignment Agreement and Partnership Agreement shall be governed by English law. A person who is not a party to such agreements shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of such agreements.</p> <p>The Claims Participation Agreement, the Future Claims Participation Agreement shall be governed by New York law.</p> <p>Each agreement shall have a jurisdiction clause which provides for the exclusive jurisdiction of the English courts where the governing law is English or the non-exclusive jurisdiction of the English courts where another law is the governing law.. The governing law and jurisdiction provisions will provide that all English law governed agreements will be subject to the exclusive jurisdiction of the English courts and all New York law governed agreements will be subject to the non-exclusive jurisdiction of New York courts and English courts, and that any dispute which involves agreements with different governing laws can only be resolved before the English courts.</p> |
| 18. | Cleansing | <p>Each of Elliott, KS, LBHI and LBHI2 agree that, on the Effective Date, LBHI and/or LBHI2 will make public the material non-public information in respect of the transactions contemplated in the Term Sheet by way of a public statement or announcement and the form of such announcement will be subject to reasonable review and agreement by the Funds prior to it</p> |

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SCHEDULE – DEFINITIONS

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| Admitted Claim | A non-preferential unsecured claim of a creditor of LBIE in respect of which the LBIE Administrators or, as the case may be, liquidators of LBIE have admitted such creditor's proof of debt for dividend, either for the whole amount claimed or for part of that amount, payable from the estate of LBIE available to its unsecured creditors pursuant to the Insolvency Rules or the Insolvency Act (or, if applicable, as amended, compromised, satisfied or discharged pursuant to the terms of, inter alia, a scheme of arrangement pursuant to the U.K. Companies Act of 2006 (as amended) or a company voluntary arrangement pursuant to the Insolvency Act or other binding arrangement or compromise of an Admitted Claim by the LBIE Administrators or the liquidators of LBIE pursuant to their powers under the Insolvency Act. |
| Admitted Claim Amount | The amount for which any proved debt is admitted in the LBIE Administration or, as the case may be, a subsequent liquidation of LBIE. |
| Affiliates | (i) A "parent undertaking" or "subsidiary undertaking" (as defined in section 1162 of the Companies Act 2006 (as amended)) of a person together with any other subsidiary undertakings of the parent undertaking of that person, or (ii) an "Affiliate" as defined in Rule 405(1) of the Securities Act of 1933 (as amended); provided that, in the case of LBHI2, "Affiliate" shall not include LBIE. |
| Cause | To include a material breach by the administrator of any administration agreement, any insolvency or bankruptcy or similar proceeding or procedure in any jurisdiction of the administrator or a termination of the administrator pursuant to the Partnership Agreement and such other terms to be agreed between the Parties. |
| Cayman GP | An exempted company formed in the Cayman Islands acting as general partner of the Cayman LP. |
| Cayman LP | An exempted limited partnership formed in the Cayman Islands acting as sole shareholder of the Cayman Company. |
| Cayman Company | The proposed exempted company to be formed in the Cayman Islands, which company shall be the sole shareholder of the Cayman Holding Company and limited partner of the Luxembourg Holding Company. |
| Cayman Holding Company | The proposed exempted company to be formed in the Cayman Islands, which company shall be the sole shareholder and 100% direct owner of the general partner of the Luxembourg Holding Company. |
| Claims Participation Agreement | The agreement to be entered into between the Claims SPV and KS or Elliott (and any relevant affiliates) relating to the participation in the Elliott Contribution and the KS Contribution. |
| Claims SPV | A Luxembourg securitisation vehicle that will enter into the Claims Participation Agreement. |
| Future Claim Interests | Interests in the Cayman LP to be issued on the acquisition of a Future Claim, representing the right to receive distributions from recoveries in respect of such Future Claim. Future Claim Interests will be issued to participating partners. |

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| Currency Loss Payments | The aggregate of all payments made by LBIE from the LBIE Assets to a creditor in relation to the difference between (i) the sum for which LBIE is liable to the creditor under or in respect of the contracts and agreements underlying a provable claim in the relevant contractual currency; and (ii) the aggregate sum received by the creditor in respect of its Admitted Claim Amount in relation to such claim, converted into the relevant contractual currency in (i) above as at the date of payment from LBIE. |
| Effective Date | The date on which all the transaction agreements have been executed and all conditions precedent to each such agreement satisfied or effectively waived. |
| Elliott | Certain funds controlled or managed by Elliott Management Corporation which have or acquire an interest in non-preferential unsecured claims against LBIE. |
| Elliott Contribution | The aggregate amount of all distributions paid by LBIE in respect of the Elliott Pooled Claims in excess of the Funds Contribution Threshold, without deductions for any Elliott Excluded Risks. |
| Elliott Excluded Risks | With respect to the Elliott Pooled Claims, any matter that results in Elliott, or its Affiliates, failing to receive any amount in respect of any distribution on the Elliott Pooled Claims (whether from LBIE, any intermediate seller and/or any other counterparty). |
| Elliott Pooled Claims | All rights (whether actual or contingent or held directly or indirectly) of Elliott to receive distributions from LBIE in respect of the claims to be listed in a schedule to the Claims Participation Agreement to be entered into by Elliott (which claims represent all of the non-preferential unsecured claims held by Elliott against LBIE (including by way of participation, assignment or any other arrangement) that are not Future Claims, including the right to receive distributions in respect of Provable Sums, Post Administration Interest and/or Currency Loss Payments in relation to such claims. |
| Equity Claims SPV | A Luxembourg securitisation vehicle that will enter into the Equity Claims Participation Agreement. |
| Equity Claims Participation Agreement | The agreement to be entered into between the Equity Claims SPV and LBHI2 relating to the proceeds of the Preferred Equity. |
| Estimated Allowed Claims Amount | Means, in respect of the KS Pooled Claims or Elliott Pooled Claims (a) which are Admitted Claims, the aggregate Admitted Claim Amounts in respect of such Admitted Claims in the LBIE Administration and (b) which are not Admitted Claims, the aggregate offer amount (if applicable) in respect of such claims, or, if no offer amount is applicable, the claim amount in respect of such claims. |
| Funds | KS and Elliott |
| Funds Contribution Threshold | For the KS Pooled Claims and the Elliott Pooled Claims, as the case may be, an amount equal to the aggregate of: (a) the Admitted Claim Amounts in respect of all of the claims, and (b) interest on the amounts of those Admitted Claim Amounts which are outstanding from time to time from 15 September 2008, calculated at the simple rate of 8% p.a., up to a limit of 5.375 years average weighted distribution life (for the avoidance of doubt, total interest is limited to 43% of each Admitted Claim Amount). |

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| Future Claims | Any non-preferential unsecured claim against LBIE to be acquired after September 30, 2013 by KS, Elliott or LBHI2. |
| Future Claims Participation Agreement | The agreement to be entered into between the Future Claims SPV and the contributing partner relating to a Future Claim, in a form substantially similar to the Claims Participation Agreement. |
| Future Claims SPV | A Luxembourg securitisation vehicle that will enter into a Future Claims Participation Agreement. |
| Insolvency Act | The U.K. Insolvency Act of 1986 (as amended). |
| Insolvency Rules | The U.K. Insolvency Rules 1986 (as amended). |
| KS | Certain funds controlled or managed by King Street Capital Management, L.P. which have or acquire an interest in non-preferential unsecured claims against LBIE. |
| KS Contribution | The aggregate amount of all distributions paid by LBIE in respect of the KS Pooled Claims in excess of the Funds Contribution Threshold, without deductions for any KS Excluded Risks. |
| KS Excluded Risks | With respect to the KS Pooled Claims, any matter that results in KS, or its Affiliates, failing to receive any amount in respect of any distribution on the KS Pooled Claims (whether from LBIE, any intermediate seller and/or any other counterparty). |
| KS Pooled Claims | All rights (whether actual or contingent or held directly or indirectly) of KS to receive distributions from LBIE in respect of the claims to be listed in a schedule to the Claims Participation Agreement to be entered into by KS (which claims represent all of the non-preferential unsecured claims held by KS against LBIE (including by way of participation, assignment or any other arrangement) that are not Future Claims, including the right to receive distributions in respect of Provable Sums, Post Administration Interest and/or Currency Loss Payments in relation to such claims. |
| LBHI | Lehman Brothers Holdings Inc. |
| LBHI Consideration | The amount of consideration paid to LBHI or any of its affiliates in respect of any conveyance of the Preferred Equity (including by way of a Synthetic Conveyance referred to in Section 9 (<i>Synthetic Conveyances</i>)). |
| LBHI Contribution | An amount equal to all proceeds, distributions, interest, expenses, penalties and other amounts received (or receivable by it but for its actions or omissions or the actions or omissions of any of its subsidiaries controlled (directly or indirectly) by it), (directly or indirectly) by LBHI from LBHI2 to the extent such amounts have not been otherwise contributed to the Recovery Pool. |
| LBHI2 | LB Holdings Intermediate 2 Limited |
| LBHI2 Administrators | The joint administrators appointed in respect of LBHI2 pursuant to the U.K. Insolvency Act 1986 (as amended) from time to time, being (at the date of the Term Sheet), Derek Anthony Howell, Anthony Victor Lomas, Julian Guy Parr, Steven Anthony Pearson and Gillian Eleanor Bruce, together with any persons appointed as additional or replacement administrators. |

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| LBHI2 Contribution | The aggregate of all amounts contributed by LBHI2 to the Sub Debt SPV, Equity Claims SPV or Senior Claims SPV in respect of (a) the LBHI2 Sub Debt, (b) the Preferred Equity and (c) the LBHI2 Senior Claims. |
| LBHI2 Equity Claims Consideration | The amount (if any) of the GBP 627,082,799.24 cash element of part of the Purchase Price which the Parties shall have allocated in respect of the Preferred Equity as adjusted to reflect any Synthetic Conveyances referred to in Section 9 (<i>Synthetic Conveyances</i>). |
| LBHI2 Scheduled Creditors | Lehman Brothers Holdings PLC Lehman Brothers Holdings Scottish LP 3 Luxembourg Finance SARL |
| LBHI2 Senior Claims | The unsecured claim of LBHI2 against LBIE for the amount of GBP 38,089,911.30. |
| LBHI2 Senior Claims Consideration | The amount equal to GBP 22,917,200.76. |
| LBHI2 Sub Debt | The sum of GBP 1,254,165,598.48 plus interest due from LBIE to LBHI2 pursuant to 3 subordinated loan facility agreements each dated 1 November 2006 in the amounts of €3 billion, \$4.5 billion and \$8 billion, respectively, together with such rights and benefits of LBHI2 (but not obligations of LBHI2 in connection with such facility agreements) as further set out in the Sub Debt Assignment Agreement. |
| LBHI2 Sub Debt Consideration | The amount of the GBP 627,082,799.24 cash element of part of the Purchase Price which the parties shall have allocated in respect of the LBHI2 Sub Debt. |
| LBIE | Lehman Brothers International (Europe) (in administration). |
| LBIE Administration | The administration of LBIE commenced on 15 September 2008 pursuant to the Insolvency Act. |
| LBIE Administrators | The joint administrators appointed in respect of LBIE pursuant to the Insolvency Act from time to time, being (at the date of the Term Sheet), Anthony Victor Lomas, Paul David Copley, Russell Downs, Steven Anthony Pearson and Julian Guy Parr, each a licensed insolvency practitioner of PricewaterhouseCoopers LLP, 7 More London, Riverside, London SE1 2RT, together with any persons appointed as additional or replacement administrators. |
| LBIE Assets | The assets of LBIE. |
| LBL | Lehman Brothers Limited. |
| Loan Amounts | The principal amount of any loan made by a Voting Shareholder or LBHI to fund expenses of the Cayman LP, Cayman GP or any other subsidiary of the Cayman LP (other than the Future Claims SPV) and the Recovery SPVs, plus interest on such loan and reasonable legal fees, if any, in connection with obtaining the loans and shall exclude any partnership loans made to fund the acquisition of any Future Claims. |
| Luxembourg Holding Company | The proposed Luxembourg holding company of the SPVs. |

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| Option | An option exercisable by a Voting Shareholder that is offering its Future Claim to the Future Claims SPV to increase its participation in the Future Claim (which will be reflected by increasing the Future Claim Interests issued by the Cayman LP to such Voting Shareholders in respect of such Future Claim) by up to 10% of such Future Claim. |
| Partnership Agreement | (i) the shareholders' agreement by and among the Cayman GP and the shareholders in the Cayman GP, which shall initially be LBHI, LBHI2, KS, and Elliott, setting forth the corporate governance amongst the parties, in the form to be agreed by each of Elliott, KS, LBHI2 and LBHI, in their reasonable discretion; and (ii) the limited partnership agreement by and among the Cayman GP, LBHI and the limited partners of the Cayman LP, which shall initially be LBHI, LBHI2, KS and Elliott, setting forth the corporate governance amongst the parties, in the form to be agreed by each of Elliott, KS, LBHI2 and LBHI, in their reasonable discretion. |
| Post Administration Interest | Interest payable on proved debts pursuant to Rule 2.88(7) of the Insolvency Rules (and, if applicable, section 189(2) of the Insolvency Act. |
| Preferred Equity | All preferred equity held by LBHI2 in LBIE. |
| Provable Sums | The elements of claims against LBIE which are (or would be) provable in the administration or a subsequent liquidation of LBIE pursuant to Chapter 10 of Part 2 or Chapter 9 of Part 4 of the Insolvency Rule 1986, respectively or finally determined pursuant to a settlement agreement, scheme, voluntary arrangement or a consensual deal in relation to LBIE. |
| Purchase Price | The aggregate of the LBHI2 Sub Debt Consideration, the LBHI2 Equity Claims Consideration and the LBHI2 Senior Claims Consideration. |
| Recovery Pool | The recovery pool consisting of all the assets in, or deriving from, the LBHI2 Contribution, the KS Contribution and the Elliott Contribution (as adjusted to include the LBHI Contribution, to the extent required). |
| Recovery SPVs | Sub Debt SPV, Equity Claims SPV, Senior Claims SPV and Claims SPV (or any of them). |
| Senior Claims Assignment Agreement | The agreement to be entered into between the Senior Claims SPV and LBHI2 relating to the LBHI2 Senior Claims. |
| Senior Claims SPV | A Luxembourg securitisation vehicle that will enter into the Senior Claims Assignment Agreement. |
| SPVs | Any of (or all, as the case may be) of the Cayman GP, the Cayman LP and the subsidiaries of the Cayman LP including the Cayman Company, Cayman Holding Company, the general partner of the Luxembourg Holding Company, Luxembourg Holding Company, the Recovery SPVs and Future Claims SPV. |
| Sub Debt Assignment Agreement | The agreement to be entered into between the Sub Debt SPV and LBHI2 relating to the LBHI2 Sub Debt. |
| Sub Debt SPV | A Luxembourg securitisation vehicle that will enter into the Sub Debt Assignment Agreement. |

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| Term Sheet | The Material Commercial Terms of Economics, Funding and Transfers setting out the key terms of the Transaction. |
| Tier 1 Pool Threshold Amount | An amount equal to the GBP 650 million cash element of the Purchase Price. |
| Tier 2 Pool Balance | The Tier 2 Pool Threshold Amount minus the distributions received prior to distributions equaling the Tier 2 Pool Threshold Amount. |
| Tier 2 Pool Threshold Amount | GBP 1.3 billion plus interest calculated at the simple rate of 2.25% p.a. applied to the Tier 2 Pool Balance on and after the earlier of the Effective Date and 30 November 2013. |
| Tier 3 Pool Balance | The Tier 3 Pool Threshold Amount minus distributions received by the parties prior to distributions equaling the Tier 3 Pool Threshold Amount. |
| Tier 3 Pool Threshold Amount | Means, on any date, GBP 2.2 billion plus interest accrued on the Tier 3 Pool Balance calculated daily on the basis of a year of 365 days and at the simple rate of 4.25% p.a. for the period from and including the earlier of the Effective Date and 30 November 2013 until such date. |
| Transaction | Means the Transaction as contemplated by the Term Sheet. |
| Underlying Principle | <p>The parties (i) shall act or, to their knowledge, omit to act in accordance with the underlying principle of enhancing the recoveries for the Recovery Pool and the Preferred Equity and (ii) shall not act in a manner adverse to the economic interests of the LBHI2 Scheduled Creditors (in their capacity as such), in each case in light of the circumstances and facts at such time, PROVIDED THAT this underlying principle shall not:</p> <p>(a) apply to actions or omissions of Lydian Overseas Partners Master Fund, Ltd. (or the investment manager of the liquidator of the Lydian Overseas Partners Master Fund, Ltd. vehicle and to the extent that the liquidator is not approved by the applicable court, any alternative liquidator) in connection with Lydian Overseas Partners Master Fund, Ltd.'s position as a party to the Waterfall Application;</p> <p>(b) apply to actions or omissions of LBHI in connection with matters not the subject matter of the Transaction and the Waterfall Application; or</p> <p>(c) prevent a party from taking any action to enhance the recoveries for the Recovery Pool by reducing the level of claims against LBIE of parties other than those of LBHI2, LBHI, Elliott or KS against LBIE (save insofar as such actions might indirectly increase claims against LBHI2).</p> |
| Voting Shareholder | Each of KS, Elliott and LBHI2, to the extent that such parties are not subject to an event of default (as described and determined in accordance with the Cayman GP shareholders' agreement). |
| Waterfall Application | The joint application dated 14 February 2013 by the joint administrators of LBIE, the LBHI2 Administrators and the joint administrators of LBL for directions in relation to various issues concerning the respective rights and obligations of LBIE, LBHI2 and LBL. |